



Ambassador Jeffrey L. Bleich – CEDA Conference

Ambassador's Speech to CEDA “International Policies and Global Challenges”

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Thank you very much for that kind introduction, Robin. Congratulations on your leadership of CEDA in WA, and for your great service as Consul General. Some of you may not know that among her other skills, Robin speaks five languages. There is an old joke that if you speak three languages you are trilingual. If you speak two languages you are bilingual. And if you speak one language, you are American. So I am very grateful to Robin for raising the standards for Americans abroad.

I'm also very grateful to be able to appear today with my friend, Her Excellency, India's High Commissioner Singh. And I extend my best wishes to His Excellency, Chinese Ambassador Zhang, who had hoped to join us today. He has a high level visitor here this week, and so I know what that entails. I'd been looking forward to one of our own high-level visitors here this past week. While we're disappointed the President wasn't able to travel, I try to look at the bright side. Not many Ambassadors get to announce the arrival of their Head of State three times in the same year.

Finally, I'd like to thank the CEDA for allowing me to meet with you all today. When I was in the United States, I did some work with your U.S. analog, the Committee for Economic Development. This is a very valuable institution, that helps provide fair and thoughtful analysis on economic development issues in the world. I am especially delighted to be here at the State of the Nation Conference.

Today, I'd like to speak about the U.S. perspective on the Global Financial Crisis (GFC) and President Obama's vision for the future. The GFC threatened to collapse the world's economies. Recovering from the GFC is a global on-going effort, and our future very much depends on how we deal with this issue. But we have at least made it through the immediate crisis where credit had locked up and markets were plunging. The question is, where do we go from here?

In talking about these issues, I'd like to share U.S. policies, not only as a diplomat but based upon my former life as well. Before I became a diplomat, I had some training as an economist, and I worked at a law firm that had – as one of its first clients – a guy named Warren Buffett. In fact, the firm, Munger, Tolles & Olson was founded by Warren's business partner, Charlie Munger. Both Warren and Charlie are known for



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being very plain spoken about economics. So I've tried to draw on some of their insights in describing our economic policy and where we see it going.

GFC and Financial Reform

The first thing about where we are today with the GFC is that for all its challenges, it also presents an opportunity. Market fluctuations are going to happen, the challenge is what you do with them. Do you join in the folly or do you learn from it. Or as Warren Buffett put it: "It's only when the tide goes out that you discover who's been swimming naked."

The GFC exposed who was taking unreasonable risks, and who lacked adequate regulation. The world after the GFC must be one in which the conditions that allowed the crisis to happen no longer exist. In fact, the main problem exposed by the GFC is that we lacked a framework to protect the strength of our economy from unreasonable risk, speculation, and mismanagement.

For this reason, the U.S. has been working to create a new framework of financial reform that eliminates the root causes of the GFC.

There is room for improvement in all of our system, although the nature of reforms will vary depending upon the Nation. In the U.S. we are well on the way to passing the types of financial crisis reforms that would have helped avoid the crisis. We have similar bills through both the House and the Senate, and those will likely be reconciled by the time Congress recesses in July.

While we can't prejudge the process, there are certain principles that I expect will be part of any reform package. Specifically, those are:

- First, eliminating the claim that any business is "Too Big to Fail": The pending legislation would establish a system that ensures that any business, no matter how big or small, succeeds or fails on its merits, and can't hold the rest of the economy hostage to its bad decisions. The amount of money that a company has doesn't tell you whether it is being well managed; if anything, having more money just tends to bring out the basic traits of management in a more exaggerated fashion. One of Buffett's rules is don't mistake wealth for merit. As he put it, "a billionaire who was a jerk before he had money, is now just a jerk with a billion dollars." The finance reform package will ensure that no matter how big or wealthy a company, its management and shareholders will pay for their misjudgments rather than taxpayers. Companies that take unreasonable risks can go under without taking the economy with them.
- Second, the legislation will likely contain some version of the Volcker rule, which sets limits on the size of banks, and more importantly, it prevents banks



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- with federal guarantees from gambling with their customers' money. Buffett's rules for banks are simple. Rule No. 1, "never lose money." Rule No. 2, "never forget rule number 1." Investment banks can profit by taking greater risks, but they can't do it while also receiving the protections of federal guarantees.
- Third, the President's proposed reforms would bring real transparency to financial markets, so that consumers and regulators will know when the markets are taking a risk. As both a lawyer and an investor, I've read a lot of prospectuses. Many of them are written in a manner that makes it virtually impossible to understand what they are saying. They might as well be written in a language that even Robin does not speak.
 - Fourth, the reforms provide protection for consumers from predatory lending practices and various other ways banks used to shift the burden of their own bad choices on to consumers. The point follows one of Charlie Munger's revelations. Markets are insatiable in their appetite for capital. Now when a lion escapes from the zoo and starts mauling people, you don't blame the lion, you blame the zookeeper. Here, we need to place reasonable limits on the ability of banks to target and attract unsophisticated investors who should not be investing in risky products.

These reforms are not just U.S. reforms; they are being contemplated throughout the G-20. In the recent G-20 meeting in Busan, Korea, Finance Ministers and Central Bank Governors acknowledged that the global economy is recovering faster than anticipated, although at an uneven pace across countries and regions. Nevertheless, G-20 nations affirmed their commitment to intensify financial reform efforts.

With these reforms in place, I feel generally positive about the economic outlook. Here in Australia the economy avoided a recession altogether. In the U.S., we came out of the recession much more quickly than anyone would have predicted. Most of the losses in the Dow Jones have been recovered, we've had two positive quarters of growth, and we are looking at respectable 3.6% growth this year.

More importantly, the spirit that fuels the U.S. economy is as strong as ever. In 2009, the depth of the GFC, there were over 196,000 patent applications filed, the second most in the past decade. Inventiveness and ingenuity is at the heart of the American economy and so I encouraged that with the reforms in place, the economic outlook is promising.

The Asia-Pacific

In looking forward, there is no doubt that the Asia-Pacific figures very prominently in America's economic future. And it is our focus. The U.S. has been actively engaged in Asia for over 60 years, and in that time we have contributed directly and through



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multilateral agreements to greater security and a trade environment that fosters exports and growth.

The U.S. has also made a great effort to renew and re-energize that engagement in Asia Pacific. With roughly 40 percent of the world's population, and over 54 percent of global GDP centered in the Asia Pacific, America's success is inextricably linked to this vital region, and no one understands this better than President Obama.

The U.S. has always had a interesting relationship with the Pacific. We began our history as an Atlantic nation, but we clawed our way westward over mountains and rivers towards the Pacific Ocean. Today, we are truly a Pacific nation, with one of our states lying well within the Pacific Ocean. In fact, the President has referred to himself as the nation's "first Pacific President." Even as we speak, the United States is working with our partners in the Asia Pacific to design a regional architecture that will shape the future of this region for the next century.

This year we are actively engaged in a Trans-Pacific Partnership to expand the scale of our Free Trade Agreements here in Asia and into South America. We all do better in a world driven by free trade that draws on the creativity, innovation, and a global sharing of information. No one wins in a race to the bottom in which success is defined by exploiting labor and ones environment. Instead, we are working to build markets that promote education and the fair treatment of workers and our environment. As Charlie Munger says, the key to Warren Buffett's success is constant education. "Warren [Buffett] is one of the best learning machines on this earth. The turtles who outrun the hares are learning machines. If you stop learning in this world, the world rushes right by you."

A world that is more prosperous, where more people are educated, inventive and have a stake, and where we are all efficiently allocated resources, benefits everyone. It is a world that is not just wealthier, but one that is more just and peaceful, with more friends and few enemies.

India and China are crucial partners in this global collective effort. The President recently announced that a fundamental pillar of America's reengagement in the world involves deepening our cooperation with these 21st century centers of influence. The recent U.S.-India Strategic Dialogue demonstrates our commitment to this kind of reengagement. As President Obama stated, "India is a rising and responsible power, and a leader in Asia and around the world. Our common values and commitment to democracy make our relationship with India indispensable for the future of security and prosperity that we seek."



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As for China, its importance is undeniable, President Obama recently stated that the relationship between the U.S. and China will shape the 21st century. On this regard, I am very confident when I say that the U.S. maintains a strong and mature relationship with China. While we may not agree on every issue, the recent Strategic and Economic Dialogue in Beijing is a clear sign that we are working together to address our common challenges.

China's remarkable economic growth is impressive, and the consensus is that China's growth will continue to be strong. The rise of a strong, prosperous China can be a source of strength for the community of nations. China's growth can be a positive force in promoting world growth, alleviating poverty and dealing with a range of other international issues.

The U.S. looks forward to becoming strong economic partners with both China and India, and to fulfilling our responsibilities to the global community.

In short, despite challenges in Europe and some unevenness in the results among countries, the world economy is in a much better place that it was when the G-20 met in Pittsburgh only a year ago. We still have a great deal of work to do to recover from the GFC, including restoring fiscal integrity to our markets. But we are on the right track. Internationally, we see our partners strengthening and real opportunities continue to expand here in Asia.

Global cooperation is the key to this. So let me finish with one last quote from Charlie Munger – He said that while what we have achieved is good, there is still much further we can go. "This is not the highest form which civilization can reach. The highest form that civilization can reach is a seamless web of deserved trust. Not much procedure, just totally reliable people correctly trusting one another. That's the way an operating room works at the Mayo Clinic. In our own lives what you want is a seamless web of deserved trust, and that is what we must work toward as well."

Thank you.